

NAJRAN CEMENT COMPANY
(A SAUDI JOINT STOCK COMPANY)
THE INTERIM CONDENSED FINANCIAL
STATEMENTS (UNAUDITED) AND INDEPENDENT
AUDITOR'S LIMITED REVIEW REPORT FOR THE
THREE MONTHS PERIOD ENDED
MARCH 31, 2020

**NAJRAN CEMENT COMPANY
(A SAUDI JOINT STOCK COMPANY)
FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT
FOR THE THREE MONTHS PERIOD ENDED MARCH 31, 2020**

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AlKharashi & Co.

Certified Accountants And Auditors

INDEPENDENT AUDITOR'S REPORT ON REVIEW OF INTERIM FINANCIAL STATEMENTS

To the Shareholders of Najran Cement Company
(A Saudi Joint Stock Company)

Introduction:

We have reviewed the accompanying interim condensed statement of financial position of Najran Cement Company (A Saudi joint stock company) (the "Company") as at March 31, 2020 and the related interim condensed statements of profit or loss and the other comprehensive income for the three-months period then ended, and the related interim condensed statements of changes of shareholders' equity and cash flows for the three-months period then ended, and a summary of significant accounting policies and other explanatory notes. The Company's management is responsible for the preparation and presentation of these Interim condensed financial statements in accordance with International Accounting Standard No. 34 "Interim Financial Reporting" endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on these interim condensed financial statements based on our review.


Scope of Review:

We conducted our review in accordance with the international standard on review engagements 2410, "Review of Interim Financial Information Performed by the Independents Auditor of the Entity" endorsed in the Kingdom of Saudi Arabia. A review of interim financial information consists of making inquiries primarily to persons responsible for financial and accounting matters and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with international standards on auditing that are endorsed in the Kingdom of Saudi Arabia and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express such an audit opinion.

Conclusion:

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed financial statements are not prepared, in all material respects, in accordance with International Accounting Standard No. 34 endorsed in the Kingdom of Saudi Arabia.

AlKharashi & Co.


Suleiman A. AL-Kharashi
License No. 91



April 23, 2020
Shahban 30, 1441

NAJRAN CEMENT COMPANY
(A SAUDI JOINT STOCK COMPANY)
INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION
AS AT MARCH 31, 2020
(Expressed in '000 Saudi Riyals)

		March 31, 2020 (Unaudited)	December 31, 2019 (Audited)
	Notes		
<u>ASSETS</u>			
<u>NON- CURRENT ASSETS</u>			
Property, plant and equipment	5	2,067,256	2,085,065
Intangible assets		4,063	4,075
Total non current assets		2,071,319	2,089,140
<u>CURRENT ASSETS:</u>			
Store, spare parts and loose tools	6	111,976	112,657
Stock in trade	7	180,826	207,108
Trade receivables		31,117	33,469
Advances, prepayments and other receivables	8	23,001	19,802
Cash and cash equivalents	9	120,668	22,152
Total current assets		467,588	395,188
Total Assets		2,538,907	2,484,328
<u>EQUITY AND LIABILITIES:</u>			
<u>EQUITY:</u>			
Share capital	1	1,700,000	1,700,000
Statutory reserve		108,411	108,411
Retained earnings		215,245	175,128
Total Equity		2,023,656	1,983,539
<u>LIABILITIES:</u>			
<u>NON-CURRENT LIABILITIES:</u>			
Provision for employees' terminal benefits	10	29,888	29,222
Non-current portion of lease liability		6,645	6,486
Long term financing	11	15,000	30,000
Total non current liabilities		51,533	65,708
<u>CURRENT LIABILITIES:</u>			
Provision for zakat		20,741	19,241
Current portion of lease liability		319	425
Current portion of long term financing	11	385,739	370,908
Advances from customers		5,486	4,232
Trade payables		25,218	22,929
Accrued and other payables		26,215	17,346
Total current liabilities		463,718	435,081
Total liabilities		515,251	500,789
Total Equity And Liabilities		2,538,907	2,484,328

The accompanying notes form an integral part of these interim condensed financial statements.

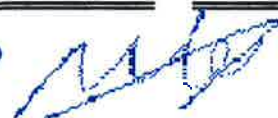
**NAJRAN CEMENT COMPANY
(A SAUDI JOINT STOCK COMPANY)**

**INTERIM CONDENSED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE THREE MONTHS PERIOD ENDED MARCH 31, 2020**

(Expressed in '000 Saudi Riyals)

	For the three months period	
	March 31,	March 31,
	2020	2019
	(Unaudited)	(Unaudited)
Turnover - net	156,380	106,500
Cost of sales	(99,949)	(83,886)
Gross profit	56,431	22,614
Selling and distribution expense	(3,214)	(1,662)
General and administrative expense	(7,162)	(6,913)
Operating profit for the period	46,055	14,039
Finance cost	(4,517)	(7,040)
Other income	79	1,307
Net profit for the period before zakat	41,617	8,306
Zakat expense	(1,500)	(2,250)
Net profit for the period after zakat	40,117	6,056
Other Comprehensive Income		
Items that will not be reclassified to profit or loss	-	-
Other Comprehensive Income	-	-
Total Comprehensive Income For The Period	40,117	6,056
Basic earnings per share (SAR)		
Net income for the period	0.24	0.04
Total comprehensive income for the period	0.24	0.04
Weighted average number of ordinary shares (No: '000')	170,000	170,000

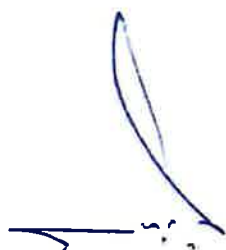




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NAJRAN CEMENT COMPANY
(A SAUDI JOINT STOCK COMPANY)
INTERIM CONDENSED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE THREE MONTHS PERIOD ENDED MARCH 31, 2020
(Expressed in '000 Saudi Riyals)

	<u>Capital</u>	<u>Statutory Reserve</u>	<u>Retained Earnings</u>	<u>Total</u>
As at January 01, 2019 (Audited)	1,700,000	103,059	130,569	1,933,628
Net profit for the period	-	-	6,056	6,056
Balance as at March 31, 2019 (Unaudited)	<u>1,700,000</u>	<u>103,059</u>	<u>136,625</u>	<u>1,939,684</u>
Balance as at January 01, 2020 (Audited)	1,700,000	108,411	175,128	1,983,539
Net profit for the period	-	-	40,117	40,117
Balance as at March 31, 2020 (Unaudited)	<u>1,700,000</u>	<u>108,411</u>	<u>215,245</u>	<u>2,023,656</u>





The accompanying notes form an integral part of these interim condensed financial statements.

NAJRAN CEMENT COMPANY
(A SAUDI JOINT STOCK COMPANY)
INTERIM CONDENSED STATEMENT OF CASH FLOWS
FOR THE THREE MONTHS PERIOD ENDED MARCH 31, 2020
(Expressed in '000 Saudi Riyals)

		For the three months period ended March 31,	
	Notes	2020	2019
Cash flows from operating activities:			
Profit before zakat expense		41,617	8,306
Adjustments to reconcile net profit / (loss) for the year to net cash generated from operational activities:			
Depreciation	5	18,786	18,795
Amortization		12	12
Loss / (gain) on sale of property, plant and equipment		115	(5)
Provision for bad debts written back		-	(419)
Provision for bad debts		43	22
Finance cost		4,517	7,040
Unwinding of discount on lease liabilities		52	-
Provision for employees' terminal benefits	10	979	907
Operating cash flow before working capital changes		66,121	34,658
Changes in operating assets and liabilities:			
Trade receivables		2,309	(2,218)
Store, spare parts and loose tools		681	1,121
Stock in trade		26,281	27,446
Prepayments and other receivables		(3,199)	(4,530)
Advances from customers		1,256	(583)
Trade payables		2,289	(5,142)
Accrued and other payables		8,870	4,836
Cash generated from operations		104,608	55,588
Finance charges paid		(4,687)	(7,031)
End of service benefits paid	10	(313)	(692)
Net cash generated from operating activities		99,608	47,865
Cash flows from investing activities:			
Purchase of property, plant and equipment		(1,092)	(3,638)
Purchase of intangible assets		-	(45)
Proceeds from sale of property, plant and equipment		-	20
Net cash (used in) investing activities		(1,092)	(3,663)
Cash flows from financing activities:			
Repayment of long term debts		-	(15,000)
Net cash (used in) financing activities		-	(15,000)
Net change in cash and cash equivalents		98,516	29,202
Cash and cash equivalents at the beginning of the period		22,152	12,024
Cash and cash equivalents at the end of the period	9	120,668	41,226

The accompanying notes form an integral part of these interim condensed financial statements.

NAJRAN CEMENT COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE THREE MONTHS PERIOD ENDED MARCH 31, 2020
(Expressed in '000 Saudi Riyals)

1. CORPORATE INFORMATION:

Najran Cement Company ("the Company") is a Saudi Joint Stock Company which was registered on Ramadan 5, 1426 (corresponding to October 9, 2005) under Commercial Registration number 5950010479. On Shaaban 10, 1437 (corresponding to May 17, 2016), the Company was granted an Industrial License, number 2446. The principal activities of the Company are manufacturing of ordinary Portland cement and cement resistant to salts.

The share capital of the Company is SAR 1,700,000,000 divided into 170 million shares of SAR ten per share.

The Company's financial year starts on January 1 each Gregorian year and ends on December 31 of the same year.

2. STATEMENT OF COMPLIANCE:

These Condensed Interim Financial Statements have been prepared in accordance with IAS 34 Interim Financial Reporting Standard as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by Saudi Organization for Certified Public Accountants ('SOCPA'). Approved accounting standards comprise of such International Financial reporting standards (IFRS) issued by the International Accounting Standards Board as are notified by SOCPA.

The disclosures in this condensed interim financial information do not include the information reported for full annual financial statements and should therefore be read in conjunction with the financial statements of the Company for the year ended December 31, 2019. Comparative condensed interim statement of financial position is extracted from annual financial statements as at December 31, 2019 whereas comparative condensed interim statement of profit or loss account and other comprehensive income, condensed interim statement of cash flows and condensed interim statement of changes in equity are extracted from unaudited condensed interim financial information of the Company for the period ended March 31, 2019.

3. FUNCTIONAL AND PRESENTATION CURRENCY:

These Financial Statements are presented in Saudi Riyal ("SAR"), which is the Company's functional and presentation currency. All amounts have been rounded to the nearest thousand, unless otherwise indicated.

NAJRAN CEMENT COMPANY
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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE THREE MONTHS PERIOD ENDED MARCH 31, 2020
(Expressed in '000 Saudi Riyals)

4. SIGNIFICANT ACCOUNTING POLICIES:

The accounting policies adopted in the preparation of the condensed interim financial statements are consistent with those followed in the preparation of the Company's annual financial statements for the year ended December 31, 2019. However, some of the main accounting policies are highlighted below.

4.1 Basis of preparation

These condensed interim financial statements have been prepared on a going concern basis under historical cost convention except for the Provision for employees' terminal benefits which are recorded at the present value of future obligations under Projected Unit Credit Method.

4.2 Use of estimation and judgments

The preparation of the accompanying IFRS financial statements, in conformity with IFRS as endorsed in Kingdom of Saudi Arabia and other standards pronouncements issued by SOCPA, requires the use of judgements, estimates and assumptions. Such estimates and assumptions may affect the balances reported for certain assets and liabilities as well disclosure of certain contingent assets and liabilities as at the date of the condensed interim statements of financial position date. Any estimates or assumptions affecting assets and liabilities may also affect the reported revenues and expenses for the same reporting period. Although these estimates are based on management's best knowledge of current events and actions, actual results ultimately may differ from those estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognized in the year in which the estimate is revised if the revision affects only that year or in the year of revision and future years if the revision affects both current and future years.

The significant areas of estimation uncertainty and critical adjustments in applying accounting policies that have most significant effect on the amounts recognized in the accompanying financial statements are as follows:

- Provisions for doubtful debts and slow-moving inventory;
- Estimated useful lives and residual values of property, plant and equipment;
- Provisions and accruals.
- Defined benefit obligations – Employees' benefits

4.3 New standards, amendments to standards and interpretations:

There are no new standards issued, however, there are number of amendments to standards which are effective from 1 January 2020 and shall be explained in Company's annual Financial Statements, but they do not have a material effect on the Company's Condensed Interim Financial Statements.

NAJRAN CEMENT COMPANY
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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE THREE MONTHS PERIOD ENDED MARCH 31, 2020
(Expressed in '000 Saudi Riyals)

5. PROPERTY, PLANT AND EQUIPMENT:

	Land	Land Lease (Right of use asset)	Buildings	Plant, quarry, machinery and other equipment	Vehicles	Furniture and fixtures, and office equipment	Computers	Assets held for future use (strategic)	Capital work in progress	Total
Cost:										
At December 31, 2019 (Audited)	2,563	7302	1,163,204	1,863,683	39,330	13,169	4,462	35,620	1,630	3,130,963
Additions during the period	-	-	-	411	438	119	124	-	-	1,092
Disposals during the period	-	-	-	-	(379)	-	-	-	-	(379)
Transfers during the period	-	-	-	56	-	-	-	(56)	-	-
At March 31, 2020 (unaudited)	<u>2,563</u>	<u>7,302</u>	<u>1,163,204</u>	<u>1,864,150</u>	<u>39,389</u>	<u>13,288</u>	<u>4,586</u>	<u>35,564</u>	<u>1,630</u>	<u>3,131,676</u>
Accumulated Depreciation:										
At December 31, 2019 (Audited)	-	512	330,983	684,323	18,238	8,966	2,876	-	-	1,045,898
Charge for the period	-	128	5,187	12,644	655	111	61	-	-	18,786
Disposals during the period	-	-	-	-	(264)	-	-	-	-	(264)
At March 31, 2020 (unaudited)	<u>-</u>	<u>640</u>	<u>336,170</u>	<u>696,967</u>	<u>18,629</u>	<u>9,077</u>	<u>2,937</u>	<u>-</u>	<u>-</u>	<u>1,064,420</u>
Net Book Value:										
At March 31, 2020 (unaudited)	<u>2,563</u>	<u>6,662</u>	<u>827,034</u>	<u>1,167,183</u>	<u>20,760</u>	<u>4,211</u>	<u>1,649</u>	<u>35,564</u>	<u>1,630</u>	<u>2,067,256</u>
At December 31, 2019 (Audited)	<u>2,563</u>	<u>6,790</u>	<u>832,221</u>	<u>1,179,360</u>	<u>21,092</u>	<u>4,203</u>	<u>1,586</u>	<u>35,620</u>	<u>1,630</u>	<u>2,085,065</u>

NAJRAN CEMENT COMPANY
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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE THREE MONTHS PERIOD ENDED MARCH 31, 2020
(Expressed in '000 Saudi Riyals)

6. STORES, SPARE PARTS AND LOOSE TOOLS:

	<u>March 31,</u> <u>2020</u>	<u>December 31,</u> <u>2019</u>
Consumables spare parts	115,976	116,657
Less: Provision for slow moving items	<u>(4,000)</u>	<u>(4,000)</u>
Net balance	<u>111,976</u>	<u>112,657</u>

6.1 Strategic spares held for future capital use amounting to SR 35,564 (2019: SR 35,620) are classified within property, plant and equipment.

7. STOCK IN TRADE:

	<u>March 31,</u> <u>2020</u>	<u>December 31,</u> <u>2019</u>
Raw materials, fuel and packing materials	16,875	15,329
Work in process	156,658	185,158
Finished goods	<u>7,293</u>	<u>6,621</u>
Total	<u>180,826</u>	<u>207,108</u>

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FOR THE THREE MONTHS PERIOD ENDED MARCH 31, 2020
(Expressed in '000 Saudi Riyals)

8. ADVANCES, PREPAYMENTS AND OTHER RECEIVABLES:

	<u>March 31,</u> <u>2020</u>	<u>December 31,</u> <u>2019</u>
Advances to suppliers	3,964	5,827
Prepaid expenses	15,083	9,758
Refundable custom duties - net	1,542	1,514
Other receivables	2,412	2,703
Total	<u>23,001</u>	<u>19,802</u>

9. CASH AND CASH EQUIVALENTS:

	<u>March 31,</u> <u>2020</u>	<u>December 31,</u> <u>2019</u>
Cash in hand	271	357
Current accounts at banks	20,397	11,795
Short term murabaha deposit	100,000	10,000
Total	<u>120,668</u>	<u>22,152</u>

Cash at bank includes unclaimed dividends of SR 1,008 (2019: SR 1,008).

10. PROVISION FOR EMPLOYEES' TERMINAL BENEFITS:

The movement in provision for end-of-service benefits is as follows:

	<u>March 31,</u> <u>2020</u>	<u>December 31,</u> <u>2019</u>
Balance at beginning of the period / year	29,222	25,629
Current service cost	979	3,285
Interest cost	-	1,143
Amount recognised in profit or loss account	979	4,428
Re-measurement loss / (gain) recognized in other comprehensive income	-	604
Benefits paid during the period / year	(313)	(1,439)
Balance at the end of the period / year	<u>29,888</u>	<u>29,222</u>

NAJRAN CEMENT COMPANY
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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE THREE MONTHS PERIOD ENDED MARCH 31, 2020
(Expressed in '000 Saudi Riyals)

11. LONG TERM FINANCING:

	Banque Saudi Fransi Note 11.1	Sukuk Note 11.2	Total
Principal amount as of January 01, 2020 - audited	45,000	355,000	400,000
Accrued mark up	-	739	739
	45,000	355,739	400,739
Less: Repayments/ redemptions during the period	-	-	-
Net principal amount	45,000	355,739	400,739
Accrued mark up for the quarter	-	-	-
	45,000	355,739	400,739
Less: Transferred to current liabilities	(30,000)	(355,739)	(385,739)
Balance as of March 31, 2020 (long term portion) - unaudited	<u>15,000</u>	<u>-</u>	<u>15,000</u>

11.1 Commercial Banks Facilities (Tawarroq):

The Company has signed bank facility agreements with commercial banks (some of which replace old facility agreements) as follows:

Tawarroq:

Specific facility of SR 150,000 against waste heat recovery project is repayable in ten quarterly instalments of SR 15,000 with repayment starting from March 2019 till the end of June 2021 at a markup of 2.50% plus three months SIBOR. Presettlement for instalments due in March, June and September 2020 was made during 2019.

In addition, a multiple purpose cash facility of SR 35,000 is also available but not utilized by the Company. These facilities are secured by, inter alia, an order note amounting to SR 170,120.

11.2 Sukuk:

In June 2015, the Company privately placed an unrated but registered Sukuk of SR 400,000 for five years maturing in June 2020 which has a current profit rate of 2.15% plus three month SIBOR, payable quarterly. The company opted to an early and partial redemption of the full amount of SR 45,000 during 2019. The effect of the same has been notified with Tadawul in December 2019. The company is in final stages of arranging refinance credit for the full and final redemption of sukuk.

All the above mentioned loans are sharia complied loans.

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE THREE MONTHS PERIOD ENDED MARCH 31, 2020
(Expressed in '000 Saudi Riyals)**

12. SUBSEQUENT EVENTS:

The existence of novel coronavirus (Covid-19) was confirmed in early 2020 and has spread across multiple geographic regions around the world, causing disruptions to businesses and economic activity. The spread of Covid-19 was also reported in Saudi Arabia near end of the reporting period, resulting in lockdown of major cities. Company has considered the effect of the lockdown on effectiveness of the controls during the period under review, on supply chain disruption and on its binding contracts. Company has also reviewed the impact on underlying judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. Company has further assessed the appropriateness of going concern assumption for the reporting period. Adjustments where necessary have been recognized in these financial statements. As the situation is fluid and rapidly evolving, accordingly the estimates, assumptions and judgments made by the Company in respect of the carrying amounts of assets and liabilities as presented in these financial statements represent their best estimate under the current circumstances.

13. SEGMENTAL REPORTING:

The Company operates in one trading segment and all sales are within the Kingdom of Saudi Arabia. Further, significant amount of liabilities of the company is payable in Saudi Arabia.

14. CONTINGENT LIABILITES:

As of March 31, 2020, the Company had commitments in the form of letters of credit and bills for collection amounting to SR 206 (2019: NIL) and performance bonds amounting to SR NIL (2019: SR 600).

15. BOARD OF DIRECTORS APPROVAL:

These condensed interim financial statements were approved by the Board of Directors of the Company on April 22, 2020.